

# **DSJ1&2-PR Exh 604**

**From:** Kristy Spruell  
**To:** Theresa Alford; Chad Ducote  
**Sent:** 11/23/2014 5:33:49 AM  
**Subject:** SOM overview

Chad,  
Theresa mentioned that you are scheduled to meet with Phyllis next week to discuss the SOM program. I hope the attached document helps with your discussion. I tried to provide a general overview of where we started, where we are and where we plan to be in the near future.

Good luck with your discussion.

Thanks,

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### Overview of SOM Project Progress

Beginning of SOM enhancement project	Today	Q1 FY16 - End of Phase 1	Future – Phase 2 and 3
<u>People</u> <ul style="list-style-type: none"> <li>DC associate review only</li> <li>No consistent training for associates</li> <li>No home office involvement</li> <li>Inconsistent application of monitoring standards by associate across DC facilities</li> <li>No dedicated HO resource</li> </ul>	<u>People</u> <ul style="list-style-type: none"> <li>Tiered evaluation and review processes for selected alerted orders (manual process)</li> <li>Job aid provided for all DC locations; training delivered</li> <li>Dedicated Logistics HO resource (1); HW Practice Compliance support (1)</li> </ul>	<u>People</u> <ul style="list-style-type: none"> <li>Tiered evaluation and review processes for all alerted orders (system driven)</li> <li>Updated job aids will be provided for all DC locations; training delivered</li> <li>Dedicated HO resource (2); HW Practice Compliance support (1)</li> </ul>	<u>People</u> <ul style="list-style-type: none"> <li>No planned changes from Phase 1</li> </ul>
<u>Processes</u> <ul style="list-style-type: none"> <li>Monitoring levels static and uniform</li> <li>Monitoring level = 50 bottles (regardless of store history, bottle size, etc) or order amount &gt;30% over rolling 4 week average</li> <li>DC facilities receiving 100s of "alerts" per day</li> <li>No documentation of process used to determine 50 bottle monitoring level</li> <li>Some facilities "cut" orders to 50 bottles, some did not</li> <li>No process for evaluating Orders of Interest or reporting Suspicious Orders</li> <li>No process for documenting order evaluations or reporting decisions</li> </ul>	<u>Processes</u> <ul style="list-style-type: none"> <li>DC 6001 – monitoring levels set at calculated levels using new logic (see box at right); all other DCs still using static, uniform levels</li> <li>Many alerted orders receive individual evaluation (manual process based on DC associate discretion)</li> <li>All evaluations require documentation (manual process)</li> <li>Reporting determinations require documentation (manual process)</li> </ul>	<u>Processes</u> <ul style="list-style-type: none"> <li>Monitoring levels determined by statistically sound, well documented, methodology (methodology reviewed and approved by Mu Sigma)</li> <li>Monitoring levels evaluated and determined by individual store+item combination (monitoring level "threshold" set at individual average+3Standard Deviation based on past 52 week order history)</li> <li>Number of alerts received expected to drop dramatically (new methodology expected to eliminate "false positive" alerts)</li> <li>Every alerted order will require evaluation (system driven)</li> <li>All evaluations will require documentation (systems driven)</li> </ul>	<u>Processes</u> <ul style="list-style-type: none"> <li>All monitoring levels will be reviewed and recalculated at least once per year (planning first review summer 2015)</li> <li>Like Store Comparisons – developing capability to evaluate stores by comparing them to each other using various data points common to "sister" store groupings</li> <li>Vendor data – create process to allow full visibility to, and evaluation of, all product orders, regardless of the product source (Walmart DC, McKesson, etc)</li> <li>Hard Limits – create process to prevent orders beyond determined levels</li> </ul>
<u>Policies</u> <ul style="list-style-type: none"> <li>SOM policy did not include processes for evaluating "Orders of Interest" or reporting "Suspicious Orders"</li> <li>SOM policy only included DC associate responsibilities – no</li> </ul>	<u>Policies</u> <ul style="list-style-type: none"> <li>New policy includes processes for evaluating "Order of Interest" and for reporting "Suspicious Orders" to all required agencies</li> <li>New policy requires significant</li> </ul>	<u>Policies</u> <ul style="list-style-type: none"> <li>Policy will be updated if necessary when systems upgrades are complete - to be determined</li> <li>Training will be updated to reflect new systems-driven</li> </ul>	<u>Policies</u> <ul style="list-style-type: none"> <li>SOM policy will continue to be updated as needed</li> <li>Training will be updated and delivered as needed</li> </ul>

HO involvement or cross-functional collaboration	stakeholder engagement and cross-functional collaboration <ul style="list-style-type: none"> <li>New policy approved by VAWD</li> </ul>	processes	
<u>Systems</u> <ul style="list-style-type: none"> <li>6001 had very limited ability to monitor orders - KNAPP does not include monitoring functionality</li> <li>Reddwerks monitoring levels set at 50 bottles for all store+item combinations</li> <li>Reddwerks did not include reporting capabilities</li> <li>No process for including McKesson orders in evaluation</li> <li>No process for "hard limit" levels (except Oxy30)</li> <li>System (Reddwerks or KNAPP) did not allow alerted orders to be "held" pending evaluation</li> </ul>	<u>Systems</u> <ul style="list-style-type: none"> <li>6001 is monitoring orders via an ISD solution prior to the order entering the KNAPP solution (very manual process)</li> <li>Reddwerks upgrades in development – no changes yet</li> </ul>	<u>Systems</u> <ul style="list-style-type: none"> <li>6001 will move to Reddwerks in the control cage; monitoring for controls will work at 6001 just as in all other facilities</li> <li>Reddwerks monitoring levels will be set to new calculated levels</li> <li>Reddwerks will "hold" all alerted orders until evaluation is complete and order is released</li> <li>Reddwerks will require the evaluation of every alerted order</li> <li>Reddwerks will include significant reporting capabilities</li> <li>Reddwerks will drive order evaluation behavior, and capture evaluation decisions and "reason codes" via coded requirements and options</li> </ul>	<u>Systems</u> <ul style="list-style-type: none"> <li>Systems changes may be required to support changing SOM environment</li> <li>Systems changes may be required to implement Vendor Data incorporation and/or Hard Limit levels – to be scoped Q1 FY16</li> </ul>